

Message Text

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ACTION EB-07

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SUBJECT: TROPICAL PRODUCTS NEGOTIATIONS

REF: (A) STATE 287116 (B) JAKARTA 10850

1. SUMMARY: CONVERSATIONS WITH TRADE MINISTRY OFFICIALS INDICATE PROSPECTS DIM FOR GOI'S OFFERING SIGNIFICANT RECIPROCITY TO DC CONCESSIONS ON TROPICAL PRODUCTS. END SUMMARY.

2. IN CONVERSATION WITH E/CM COUNSELOR 22 DECEMBER GOI DIRECTOR OF EXTERNAL TRADE RELATIONS, DR. SOEMARDI REKSOPOETRANTO, SAID INDONESIA'S POSITION IN TROPICAL PRODUCTS NEGOTIATION WOULD REST PRINCIPALLY ON CLAUSE OF TOKYO DECLARATION THAT EXCEPTS LDC'S FROM RULE OF RECIPROCITY. (POINT WAS MADE MORE VIVID BY AN ADVISER TO TRADE MINISTER WHO REMARKED SEPARATELY TO EMBOFF THAT INDONESIA HAS BEEN UNABLE TO CONTRIBUTE EVEN MINOR TRADE CONCESSIONS TOWARD POSSIBLE ASEAN FREE TRADE ZONE DESPITE ASEAN'S PROMINENT LIMITED OFFICIAL USE

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CLAIM TO INDONESIAN LOYALTIES. HE IMPLIED (ACCURATELY,

WE AGREE) THAT CONCESSIONS TOWARD DC'S AN EVEN DIMMER PROSPECT.)

3. COUNSELOR EXPLAINED THAT, EVEN IN ABSENCE OF FULL RECIPROCITY, CONCESSIONS CONSISTENT WITH INDONESIAN DEVELOPMENT OBJECTIVES WOULD BE HELPFUL IN CREATING FAVORABLE ATMOSPHERE FOR NEGOTIATION, AND PARTICULARLY IN WINNING SUPPORT OF U.S. CONGRESS. HE INQUIRED ABOUT POSSIBILITY OF SIMPLIFICATION COMPLEX IMPORT (AND EXPORT) PROCEDURES THAT CONSTITUTE MAIN EFFECTIVE OBSTACLE TO FOREIGN TRADE. SOEMARDI REPLIED THAT TRADE MINISTER INTENDED, WITH FOREIGN TECHNICAL ASSISTANCE, TO INVESTIGATE AND SEEK SUPPORT FOR SUCH REFORMS; BUT HE ADDED THAT PRESENTATION OF THIS OR OTHER MEASURES AS GOI RECIPROCAL CONCESSIONS IN TRADE NEGOTIATION WOULD STRICTLY BE "THIRD LINE OF DEFENSE"--FAR BEHIND BASIC POSITION THAT LDC'S SHOULD NOT BE EXPECTED TO RECIPROCATATE AND ALSO BEHIND GOI POSITION OF SOLIDARITY WITH ASEAN - UNSPECIFIED.

4. COUNSELOR THEN RAISED QUESTION OF FINANCIALLY AND ADMINISTRATIVELY BURDENSOME REGISTRATION REQUIREMENTS APPLICABLE TO IMPORTED PROCESSED FOODS AND MEDICINES (REF B). HE NOTED THESE REGULATIONS APPEARED TO BENEFIT NO SUBSTANTIAL ELEMENT OF INDONESIAN ECONOMY AND ASKED WHETHER SOEMARDI KNEW OF ANY DIFFICULTY THAT MIGHT STAND IN WAY OF THEIR REVOVAL. SOEMARDI SAID HE WAS NOT FAMILIAR WITH THESE REQUIREMENTS, ADMINISTERED BY GOI DEPARTMENT OF HEALTH. HE ASKED COUNSELOR TO PROVIDE ADDITIONAL INFORMATION FOR TRADE MINISTER'S CONSIDERATION IN CURRENT STUDY OF TRADE BARRIERS, WHICH COUNSELOR AGREED TO DO.

5. AS DEPARTMENT AWARE, GOI DEVELOPMENT STRATEGY BASED IN PART ON BUILDING UP DOMESTIC VALUE ADDED TO INDONESIAN RESOURCE-BASED GOODS AS THEY ENTER COMMERCE. THIS ANGLE MIGHT LEAD IN TRADE FIELD TO DIRECTING PROTECTION TOWARD INDUSTRIES LIKE BUILDING MATERIALS, WOOD PROCESSING, TIRE MANUFACTURE, SUGAR REFINING, METALWORKING, WHILE OTHER SECTORS MIGHT RECEIVE NO ASSURANCE OF PROTECTION. SOME ELEMENTS WITHIN GOI HAVE INDEED TRIED TO ENCOURAGE AN APPROACH TO TRADE POLICY THAT WOULD BE COORDINATED WITH LIMITED OFFICIAL USE

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OVERALL ECONOMIC OBJECTIVES. NO EVIDENCE TO DATE, HOWEVER, THAT COHERENT STRATEGY RATHER THAN SIMPLE REACTION TO DOMESTIC PRESSURES PLAYS SIGNIFICANT PART IN SETTING OF IMPORT BARRIERS. SOEMARDI DECLINED, FOR EXAMPLE, TO INDICATE WHAT AREAS OF DOMESTIC ECONOMY GOI WOULD WANT TO FOSTER THROUGH PROTECTION FROM FOREIGN COMPETITION AND IN WHAT OTHER AREAS GOI WOULD PERCEIVE LESS NEED FOR PROTECTION. HOWEVER, EMBASSY OF THE VIEW THAT USG IN

PRESSING FOR CONCESSIONS MIGHT, WITH GOOD EFFECT, INDICATE
AWARENESS OF GOI DEVELOPMENT STRATEGY EVEN IF GOI TRADE
NEGOTIATORS ATTACH LITTLE IMPORTANCE TO IT. SUCH AN
APPROACH WOULD AT LEAST INDICATE WE HAVE STUDIED INDONESIA'S
NEEDS.
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